

**MACKINAW AREA PUBLIC LIBRARY**  
**MACKINAW CITY, MICHIGAN**  
Financial Statements  
For the Year Ended  
June 30, 2007

**Prepared By:**  
Richard E. Mahlmeister, C.P.A.  
580 South Nicolet, P.O. Box 996  
Mackinaw City, MI 49701

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Mackinaw Area Public Library	County Cheboygan - Emmet
Fiscal Year End June 30, 2007	Opinion Date December 21, 2007	Date Audit Report Submitted to State December 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

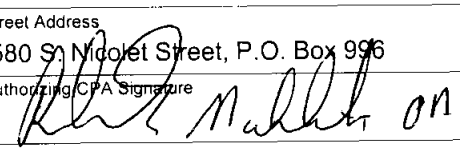
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Richard E. Mahlmeister, CPA, PC		Telephone Number 231-436-5223	
Street Address 580 S. Nicolet Street, P.O. Box 996		City Mackinaw City	State MI
Authorizing CPA Signature 		Zip 49701	License Number 17351
Printed Name Richard E. Mahlmeister, CPA			

***MACKINAW AREA PUBLIC LIBRARY***

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INDEPENDENT AUDITOR'S REPORT

December 21, 2007

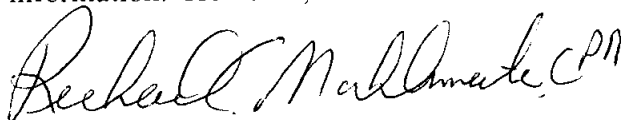
Members of the Board  
Mackinaw Area Public Library  
Mackinaw City, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund of the ***Mackinaw Area Public Library, Mackinaw City, Michigan***, as of and for the year ended June 30, 2007, which collectively comprise the ***Mackinaw Area Public Library's*** basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the ***Mackinaw Area Public Library's*** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the ***Mackinaw Area Public Library***, as of June 30, 2007, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 5 and 19, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Richard E. Mahlmeister, C.P.A.

## ***MACKINAW AREA PUBLIC LIBRARY***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Library's annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements.

#### **FINANCIAL HIGHLIGHTS**

As discussed in further detail in this section, the following represents the most significant financial highlights for the year ended June 30, 2007:

The assets of the Library exceeded its liabilities at the end of the fiscal year by \$289,689 (net assets) at the government-wide level. Of the total, \$162,809 represents capital assets, net of depreciation.

Revenues were \$236,936 (\$55,420 from program revenues and \$181,516 from general revenues). Overall expenses were \$179,683. The increase in net assets was \$57,253.

At the close of the fiscal year, the Library's governmental fund reported a fund balance of \$126,880, an increase of \$32,921.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts; 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Library.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year June 30, 2007.

The remaining statements are fund financial statements, which focus on individual parts of the Library in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## ***MACKINAW AREA PUBLIC LIBRARY***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the Library as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Library's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Library's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Library's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Library, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

All of the activities of the Library are reported as governmental activities; where all financial operations are recorded in the General Fund.

#### **THE LIBRARY AS A WHOLE**

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

#### **Mackinaw Area Public Library Change in Net Assets June 30,**

	<b>GOVERNMENTAL ACTIVITIES</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets:</b>		
Current assets	\$127,803	\$94,809
Capital assets (net)	162,809	138,477
Total assets	<u>290,612</u>	<u>233,286</u>
<b>Liabilities - all current</b>	<u>923</u>	<u>850</u>
<b>Net assets:</b>		
Invested in capital assets	162,809	138,477
Restricted	20,575	-
Unrestricted	<u>106,305</u>	<u>93,959</u>
Total Net Assets	<u><u>\$289,689</u></u>	<u><u>\$232,436</u></u>

# ***MACKINAW AREA PUBLIC LIBRARY***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

The Library's total net assets increased \$57,253 over the total at the end of the previous fiscal year. The most significant portion of the Library's Net Assets is the investment in capital assets (e.g. land, buildings and equipment), less any related debt that is outstanding that the Library used to acquire or construct the asset. The Library has \$20,575 of donor restricted net assets and \$106,305 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Assets of the Library:

<b>Mackinaw Area Public Library</b>		
<b>Change in Net Assets</b>		
<b>June 30,</b>		
<b>GOVERNMENTAL</b>		
<b>ACTIVITIES</b>		
	<b>2007</b>	<b>2006</b>
<b>REVENUES:</b>		
Program revenues:		
Charges for services	\$1,210	\$1,442
Operating grants and contributions	13,829	8,879
Capital grants and contributions	40,381	-
General revenues:		
Property taxes	116,397	114,700
State revenues	3,706	3,387
Interest income	3,969	2,266
Penal fines	54,542	28,802
Other	2,902	2,180
Total Revenues	<u>236,936</u>	<u>161,656</u>
<b>EXPENSES:</b>		
Recreation and culture	<u>179,683</u>	<u>165,447</u>
Total Expenses	<u>179,683</u>	<u>165,447</u>
<b>NET ASSETS:</b>		
Decrease in net assets	57,253	(3,791)
Beginning net assets	<u>232,436</u>	<u>236,227</u>
Ending net assets	<u>\$289,689</u>	<u>\$232,436</u>

### **Governmental Activities**

The Library's governmental revenues totaled \$236,936, with the greatest source being property taxes collected from the governmental units comprising the district. Property taxes have increased primarily due to increases in taxable value. Our capital grants and contributions increased by \$40,381 as the Library is now a beneficiary of a charitable trust to be used for purchasing printed books. Our penal fines have also increased by \$25,740 over last year. Though penal fine income is generally unpredictable, during the current year, we were able to accelerate payment on our Emmet County penal fines in the amount of \$14,014.

## ***MACKINAW AREA PUBLIC LIBRARY***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Governmental Activities (Continued)**

The Library incurred expenses of \$165,447 during the year. These expenses have increased \$14,236 over the prior year, primarily due to general increases in the cost of conducting operations.

#### **THE LIBRARY'S FUND FINANCIAL STATEMENT**

The fund financial statements provide more detailed information about The Library's funds. Funds are used to account for specific activities or funding sources. Funds are established to account for funding of specific financial resources and to show proper expenditure of those resources.

The Service has only the following type of fund:

#### **Governmental Fund**

The Library maintains one fund, the General Fund, which accounts for all the Library's governmental services. The Library is financed primarily by property tax revenue, state aid, contributions from private individuals and penal fines collected from Cheboygan and Emmet Counties. The Library's revenues totaled \$236,936. Expenses incurred for the fiscal year were \$204,015. Fund balance increased by \$32,921 to \$126,880.

#### **Capital Asset and Debt Administration**

At June 30, 2007, the Library capitalized assets in the amount of \$49,047 consisting of eight new computers, five of which were from a grant from the Bill and Melinda Gates Foundation, new books purchased from the Jack J. Detzler Charitable Trust, and audio/visual materials. Our capital assets of \$488,017 consist of land, building and improvements, books and audio/visual materials, computers and other office equipment.

At June 30, 2007 the Library had no debt outstanding.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The adopted budget of the Library remained stable over the year without significant amendments, with the exception of private donations and the books budget. These were amended significantly for contributions we received from the Jack J. Detzler Charitable Trust and the purchase of books with these restricted monies.

#### **FACTORS AFFECTING FUTURE OPERATIONS**

Tax revenues continue to grow or remain stable. The Library is concerned about decreasing revenues from both penal fines and state aid. We expect to continue to receive contributions from the Jack J. Detzler Charitable Trust, which are dependent on the earnings of the trust and will continue to purchase books with these monies.



**MACKINAW AREA PUBLIC LIBRARY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CONTACTING LIBRARY MANAGEMENT**

This financial report is designed to provide our citizens and customers with a general overview of the Library's finances and to demonstrate the Library's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Library at 231.436.5451.



Sarah T. Allaire  
Director

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MACKINAW AREA PUBLIC LIBRARY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

<b>ASSETS</b>		<b>GOVERNMENTAL ACTIVITIES</b>
Cash and cash equivalents		\$29,318
Investments		55,550
Receivables:		
Accounts		3,976
Taxes		5,531
From other governmental units		33,428
Capital assets (Net of Accumulated Depreciation)		162,809
<b>TOTAL ASSETS</b>		<b>290,612</b>
<b>LIABILITIES</b>		
Accounts payable		923
<b>NET ASSETS</b>		
Invested in capital assets		162,809
Restricted for donor contributions		20,575
Unrestricted		106,305
<b>TOTAL NET ASSETS</b>		<b>\$289,689</b>

The accompanying notes are an integral part of these financial statements.

**MACKINAW AREA PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government:			
Governmental activities:			
Recreation and culture	\$179,683	\$1,210	\$13,829
		General Revenues	
		Property taxes	
		State revenues	
		Unrestricted interest income	
		Penal fines	
		Other	
		Total general revenues	
		Change in net assets	
		Net assets, beginning of year	
		Net assets, end of year	

The accompanying notes are an integral part of these financial statements.

	Net (Expense)
	Revenue and Changes
	in Net Assets
Capital	
Grants and	
Contributions	TOTAL

\$40,381	(\$124,263)
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116,397

3,706

3,969

54,542

2,902

181,516

57,253

232,436

\$289,689

## **FUND FINANCIAL STATEMENTS**

**MACKINAW AREA PUBLIC LIBRARY  
BALANCE SHEET - GOVERNMENTAL FUND  
JUNE 30, 2007**

**ASSETS**

Cash and cash equivalents	\$29,318
Investments	55,550
Accounts receivable	3,976
Taxes receivable	5,531
Receivables from other governmental units	33,428
<b>TOTAL ASSETS</b>	<b>\$127,803</b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$923
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**FUND BALANCE**

Restricted for donor contributions	20,575
Designated for subsequent years' expenditures	20,000
Unreserved, undesignated	86,305

<b>TOTAL FUND BALANCE</b>	<b>126,880</b>
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<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$127,803</b>
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The accompanying notes are an integral part of these financial statements.



**MACKINAW AREA PUBLIC LIBRARY  
BALANCE SHEET - GOVERNMENTAL FUND  
JUNE 30, 2007**

Reconciliation of fund balance on the balance sheet for governmental activities  
to the statement of net assets

<b>FUND BALANCE - TOTAL GOVERNMENTAL FUND</b>	<b>\$126,880</b>
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds.

Add: capital assets	488,017
Subtract: accumulated depreciation	(325,208)

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$289,689</b>
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The accompanying notes are an integral part of these financial statements.

**MACKINAW AREA PUBLIC LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

<b>REVENUES:</b>	
Property taxes	\$116,397
State aid	3,706
Private donations	54,210
Penal fines	54,542
Book fines	1,353
Copy machine fees	939
Fax machine fees	271
Interest	3,969
Book sale	893
Miscellaneous	656
<b>TOTAL REVENUES</b>	<b>236,936</b>
<b>EXPENDITURES:</b>	
Salaries and wages	94,974
Employee benefits	7,465
Office supplies	5,937
Educational programs	1,275
Professional services	4,565
Communications	6,879
Transportation	1,132
Books	37,376
Audio-visual materials	3,939
Periodicals and newspapers	2,948
Insurance	18,831
Utilities	6,827
Repairs and maintenance - supplies	2,428
Repairs and maintenance - labor	1,046
Miscellaneous	661
Capital outlay	7,732
<b>TOTAL EXPENDITURES</b>	<b>204,015</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>32,921</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>93,959</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$126,880</b>

The accompanying notes are an integral part of these financial statements.

**MACKINAW AREA PUBLIC LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Reconciliation of statement of revenues, expenditures and changes in fund balances of  
the governmental fund to the statement of activities

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$32,921
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, those costs  
are allocated over their useful lives as annual depreciation expense in the statement  
of activities.

Add: capital outlay capitalized during the current year	49,047
Subtract: depreciation expense	(24,715)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$57,253
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The accompanying notes are an integral part of these financial statements.

## ***MACKINAW AREA PUBLIC LIBRARY***

### ***NOTES TO FINANCIAL STATEMENTS***

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **THE REPORTING ENTITY**

The *Mackinaw Area Public Library* is recognized as a legally established District Library pursuant to Michigan P.A. 24, Section 6, 1989, serving the Mackinaw City, Carp Lake, Levering and Pellston areas of Northern Lower Michigan's Emmet and Cheboygan Counties.

The accounting policies of the *Mackinaw Area Public Library*, Mackinaw City, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

For external financial reporting purposes, the Library includes all funds that are controlled by or dependent on the District's legislative branch. The *Mackinaw Area Public Library* is considered to be a local governmental unit.

##### **THE REPORTING ENTITY**

The Library has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

#### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### **Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the library. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support (the Library does not have any business-type activities).

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

***MACKINAW AREA PUBLIC LIBRARY***

***NOTES TO FINANCIAL STATEMENTS***

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

***MACKINAW AREA PUBLIC LIBRARY***

***NOTES TO FINANCIAL STATEMENTS***

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND TYPES AND MAJOR FUND**

**Governmental Funds**

**General Fund** - The General Fund is the general (and only) operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes, penal fines, state aid and contributions.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of demand deposits and savings accounts.

**INVESTMENTS**

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

**RECEIVABLES**

All receivables are reported at their gross values. Receivables consist of contributions, taxes, state aid and penal fines due from other governmental units.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

**COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS**

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

**CAPITAL ASSETS**

Capital assets, which include property, furniture, equipment and books, are generally defined by the Library as assets with an initial individual cost of \$750 and an estimated useful life in excess of one year, and all books and audio/visual materials. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

**MACKINAW AREA PUBLIC LIBRARY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**  
**CAPITAL ASSETS (CONTINUED)**

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10 – 40 years
Computer and office equipment	5 – 10 years
Furniture and fixtures	5 – 10 years
Books and audio/visual materials	5 years

**FUND EQUITY**

Reserved fund balances for governmental funds indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Restricted equity indicates that a portion of fund equity has been restricted as to its use by donors. Designated fund balance indicates that a portion of fund equity for which the Library has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

The Library follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Library Board of Trustees prepares a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Library Board of Trustees.

The Library Board of Trustee's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

**MACKINAW AREA PUBLIC LIBRARY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**Excess of Expenditures Over Appropriations in Budgetary Funds**

P.A. 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements the approved budget was adopted to the functional level. During the year, the Library did not incur expenditures in excess of the amount appropriated.

**NOTE 3: CASH AND INVESTMENTS**

The caption on the statement of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$29,318
Investments	<u>55,550</u>
	<u>\$84,868</u>

**Custodial Credit Risk – Deposits**

The deposits do not exceed \$100,000 and, therefore, are covered by the Federal Deposit Insurance Corporation (F.D.I.C.). The Library may experience significant fluctuations in deposit balances through the year.

**Statutory Authority**

Michigan Compiled Laws, Section 129.91, authorizes units of local governments to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or an agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by the two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Library's deposits and investment policy are in accordance with statutory authority.



**MACKINAW AREA PUBLIC LIBRARY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the current year was as follows:

	<b>Balance</b> <b>July 1, 2006</b>	<b>Additions</b>	<b>(Deletions)</b>	<b>Balance</b> <b>June 30, 2007</b>
Not being depreciated:				
Land	\$15,000	\$ -	\$ -	\$15,000
Being depreciated:				
Buildings	171,859	-	-	171,859
Building Improvements	21,940	-	-	21,940
Computer equipment	30,282	7,732	(6,901)	31,113
Library & Office Equipment	20,634	-	(500)	20,134
Furniture & fixtures	86,267			86,267
Books and audio/visual materials	100,389	41,315	-	141,704
Subtotal	446,371	49,047	(7,401)	488,017
Less accumulated depreciation	(307,894)	(24,715)	7,401	(325,208)
Total	\$138,477	\$24,332	\$ -	\$162,809

Depreciation was charges to the Library's functions as follows:

Recreation and culture	<u>\$24,715</u>
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**NOTE 5: FUND EQUITY**

**Restricted for donors' contributions**

The restricted equity represents balances where their use is specified by the donor. Following are the amount of monies restricted for such purposes as of June 30, 2007:

Restricted for children's programs	\$16,729
Restricted for book purchases	<u>3,846</u>
	<u>\$20,575</u>

**Designated fund balance**

The designated fund balance represents funds that are to be used to spend in the subsequent year. The amount of monies designated for such purpose at June 30, 2007 was \$20,000.

***MACKINAW AREA PUBLIC LIBRARY***

***NOTES TO FINANCIAL STATEMENTS***

**NOTE 6: PROPERTY TAXES**

Property tax revenues shown in the General Fund reflect the 2006 Library levy on the assessed valuation of property located in the Counties as of the preceding December 31st. Taxable values are established annually by the Counties. The 2006 levy covers the Library's fiscal year of July 1, 2006 to June 30, 2007. The 2006 tax levy became a lien on properties on December 1, 2006, and was substantially collected by June 30, 2007. Taxes became delinquent on March 1, 2007. Property tax revenues from the participating governmental units generated \$116,397 for general operating purposes.

**NOTE 7: RISK MANAGEMENT**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, suits, complaints, and employee injuries. In the opinion of management, all such potential matters are adequately covered by insurance and would not have a significant effect on the financial position or results of operations of the Library. Claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**NOTE 8: OTHER MATTERS**

The Library has, on its behalf, an endowment fund established with the Straits Area Community Foundation to provide funds for its activities. The market value of the fund was approximately \$2,900 as of the end of the year.

The Library is a beneficiary of the Jack J. Detzler Charitable Trust. The Library receives quarterly payments from the trustee, which are restricted for the purchase of books. The amount of these quarterly payments depends solely on the amount of the investment earnings of the trust. Contributions from the trust for the year ended June 30, 2007 were \$40,380.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MACKINAW AREA PUBLIC LIBRARY  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Property taxes	\$107,000	\$107,000	\$116,397	\$9,397
State aid	4,000	4,000	3,706	(294)
Private donations	4,000	40,850	54,210	13,360
Penal fines	29,000	29,000	54,542	25,542
Book fines	1,300	1,300	1,353	53
Copy machine fees	1,100	1,100	939	(161)
Fax machine fees	250	250	271	21
Interest	900	900	3,969	3,069
Book sale	400	400	893	493
Miscellaneous	300	300	656	356
<b>TOTAL REVENUES</b>	<b>148,250</b>	<b>185,100</b>	<b>236,936</b>	<b>51,836</b>
<b>EXPENDITURES-RECREATION AND CULTURE</b>				
Salaries and wages	96,000	96,000	94,974	1,026
Employee benefits	7,450	7,450	7,465	(15)
Office supplies	2,900	3,900	5,937	(2,037)
Educational programs	1,500	2,500	1,275	1,225
Professional services	3,500	3,500	4,565	(1,065)
Printing and publishing	100	-	-	-
Communications	8,000	8,100	6,879	1,221
Transportation	400	400	1,132	(732)
Books	15,000	37,400	37,376	24
Audio-visual materials	-	4,000	3,939	61
Periodicals and newspapers	3,000	3,000	2,948	52
Insurance	19,000	19,000	18,831	169
Utilities	8,000	11,450	6,827	4,623
Repairs and maintenance - supplies	1,250	5,075	2,428	2,647
Repairs and maintenance - labor	1,000	1,000	1,046	(46)
Miscellaneous	500	500	661	(161)
Capital outlay	2,650	3,825	7,732	(3,907)
<b>TOTAL EXPENDITURES</b>	<b>170,250</b>	<b>207,100</b>	<b>204,015</b>	<b>3,085</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(22,000)</b>	<b>(22,000)</b>	<b>32,921</b>	<b>54,921</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>93,959</b>	<b>93,959</b>	<b>93,959</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$71,959</b>	<b>\$71,959</b>	<b>\$126,880</b>	<b>\$54,921</b>

December 21, 2007

Members of the Board  
Mackinaw Area Public Library  
Mackinaw City, Michigan

In planning and performing my audit of the financial statements of the ***Mackinaw Area Public Library*** as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered the ***Mackinaw Area Public Library's*** internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ***Mackinaw Area Public Library's*** internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of the ***Mackinaw Area Public Library's*** internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control that I consider a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Of the following significant deficiencies, Financial Statement Presentation is considered a material weakness.

**Lack of Segregation of Duties**

Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of the ***Mackinaw Area Public Library***, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

**Financial Statement Preparation**

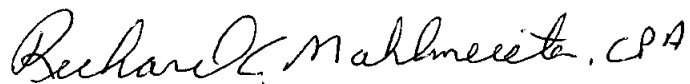
The Library does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

This communication is intended solely for the information and use of management, the Members of the Board of the ***Mackinaw Area Public Library***, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve the ***Mackinaw Area Public Library***. Best wishes in the next year.

Sincerely,



Richard E. Mahlmeister, C.P.A.  
Richard E. Mahlmeister, C.P.A., P.C.